

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 257 - SB 419

March 24, 2015

SUMMARY OF BILL: Eliminates provision allowing a municipal utility system to operate water and sewer systems as a combined entity as well as the provision that allows municipal utilities to operate as a special revenue fund. Requires water and wastewater systems to use separate enterprise funds for accounting and reporting.

ESTIMATED FISCAL IMPACT:

Increase Local Expenditures – Exceeds \$3,000/One-Time*

Assumptions:

- Based on information from the Comptroller of the Treasury (COT), the fiscal impact of this bill is not significant on state government operations.
- Based on information obtained from the Municipal Technical Advisory Service (MTAS) and the Tennessee Association of Utility Districts (TAUD), the water and sewer services will incur costs related to updating their books to reflect their status as separate entities.
- Due to unknown factors, such as the number of water and sewer utilities that operate as combined entities, the size of these utilities, the extent of their assets, and the extent of additional accounting costs incurred, a precise impact to local government cannot be determined. However, the mandatory and one-time increase in local expenditures is reasonably estimated to exceed \$3,000 statewide.

IMPACT TO COMMERCE:

NOT SIGNIFICANT

Assumptions:

- Based on information from TAUD, requiring separation of sewer and water services, where water services subsidizes sewer services, may cause sewer utilities to increase their rates, while water utilities may decrease their rates.
- TAUD also reports the bill may discourage some business entities from locating or relocating to an area with higher sewer service rates. Likewise, a firm may be encouraged to locate or relocate to an area with relatively lower water service rates. However, any net impact to commerce as a result of the bill is estimated to be not significant.

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*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding". The signature is written in a cursive, flowing style.

Jeffrey L. Spalding, Executive Director

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